
PRELICENSING EDUCATION

Educational Objectives

California Personal Lines Broker-Agent Examination

OVERVIEW

Section 1677 of the California Insurance Code requires that the Personal Lines Broker-Agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient basic knowledge of insurance and insurance laws. ~~What is "sufficient knowledge?" To answer this question, we must first determine what a "typical successful candidate for a broker-agent license" looks like.~~

~~For purposes of the prelicensing curriculum and examination, the typical successful applicant is defined as an entry-level employee of an agency or a company. Passing the exam is the completion of an important first step of a lifetime of insurance education and experience for this person. The typical new broker-agent will be trained to sell/service the lines more commonly available, less complex lines first, the other lines later. Sufficient~~ Below is the basic knowledge for what this typical new Personal Lines Broker-Agent needs to know at the start of one's career:

- (1) The most specific knowledge is required in the following areas:
 - * General insurance concepts and principles
 - * Insurance ETHICS AND CALIFORNIA INSURANCE CODE
 - * Responsibilities and authority of an insurance agent
 - * ~~General insurance concepts and principles~~ * Personal Automobile, Dwelling and Homeowners coverages
- (2) To a lesser degree, knowledge is required of:
 - * Personal Dwelling Fire and Liability Coverage
 - * Personal Inland Marine Covering Personal Property
 - * Personal Umbrella/Excess Liability
 - * Personal Watercraft
 - * Earthquake coverage
- ~~(3) Required knowledge of the remaining lines/coverages: * a A general understanding of why these all other lines/coverages may be required of insurance and of how and where they apply~~
- (3) In addition, a Personal Lines Broker-Agent license is a license so to act, Section 1625.5 of the CIC. Generally, the Personal Lines Agent license allows authority to transact insurance products that are not Life Insurance. The list below contains a sample of some of the insurance products that can be transacted with this license.

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- transact automobile insurance
- residential property insurance
- earthquake
- flood insurance
- personal watercraft insurance
- umbrella or excess liability insurance providing coverage when written over one or more underlying automobile or residential property insurance policies

~~Due to the importance and the volatility of Earthquake coverage, classroom providers must keep current on the changes taking place under Section III. C1.2(a)(b). The insurance licensing examination does not measure sales or communications skills, self-management, motivation, knowledge of agency or company procedures or policy rating skills.~~

As Section 1749.1(b) of the California Insurance Code states, in part, that no prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs. The license examination shall also exclude those items.

EDUCATIONAL OBJECTIVES

~~The educational objectives are statements of what an applicant must do, under what conditions, and how well to demonstrate sufficient knowledge to pass the licensing examination. There are two types of objectives: the enabling educational objectives and the terminal educational objectives.~~

The educational objectives are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.3 of the California Code of Regulations.

THE ENABLING EDUCATIONAL OBJECTIVES

~~The enabling educational objectives are the individual educational objectives contained on the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187 of the California Code of Regulations (CCR). The purpose of these objectives is to:~~

~~Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.~~

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ETHICS AND CALIFORNIA INSURANCE CODE

The educational objectives for Ethics and California Insurance Code are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)." References to "Code" or "CIC" in the educational objectives means the California Insurance Code.

The "General" Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

THE EXAMINATION

The California Department of Insurance's Personal Lines Broker-Agent license examination contained 90 multiple-choice questions. The examinees, without any aids (e.g. reference materials, electronic aids), are allowed two hours to answer the 90 question multiple-choice examination.

Passing the examination is the completion of an important first step in a career in insurance and a continuing program of insurance education and experience for this applicant.

All questions are based on "standard" policies; current editions of Insurance Services Office (ISO) policies will be used as the standard where available.

For examination purposes, the Comprehensive Personal Liability supplement to the Dwelling Program will be considered to be identical to the Homeowners Section II.

THE TERMINAL EDUCATIONAL OBJECTIVE

The terminal objective is the overall objective. The terminal objective is that a successful applicant for licensing as a Personal Lines Broker-Agent will, without any aids (e.g., reference materials, calculators), meet the following requirements.

He or she will correctly answer a minimum of 70 percent of the questions on the California Department of Insurance Personal Lines Agent-Broker examination during the two hours allowed for the 90 question multiple-choice examination.

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Examinations are administered at 8:30 a.m. and 1:00 p.m. Monday through Friday at the following and locations, except on state holidays:

Sacramento:

California Department of Insurance
Examination Site
320 Capitol Mall,
1st Floor
Sacramento, California 95814

Los Angeles:

California Department of Insurance
Examination Site
300 South Spring Street, North Tower,
Suite 1000
Los Angeles, California 90013

San Francisco:

California Department of Insurance
Examination Site
45 Fremont Street
22nd Floor
San Francisco, California 94105

San Diego:

California Department of Insurance
Examination Site
1350 Front Street
Room 4050
San Diego, California 92101

Please check-in at 8:10 a.m. for the 8:30 a.m. examination and check-in at 12:40 p.m. for the 1:00 p.m. examination.

In addition, the California Department of Insurance offers a license examination that is usually administered on the first and third Saturdays of the month. This examination is held at the following location:

Clovis:

California Department of Insurance
Examination Site
San Joaquin College of Law
901 Fifth Street,
MCLE Room 213
Clovis, California 93612

Please note that this examination begins at 8:30 a.m. Check-in time for this examination is 8:00 a.m.

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For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance and forms of identification, check your scheduled examination date, check your examination results), please review the following link:

<http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm>

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TABLE OF CONTENTS

I. GENERAL INSURANCE (35 percent) *including "II. P&L Basics"*)

- A. Basic Insurance Concepts and Principles
- B. Contract Law
- C. The Insurance Marketplace
 - 1. Distribution Systems
 - 2. Producers
 - 3. Insurers
 - 4. Market Regulation - General
 - 5. Excess and Surplus (E&S) Line

II. PROPERTY AND LIABILITY BASICS

- A. Basic Legal Concepts - Tort Law
- B. Property and Liability Basics
- C. Property and Liability Policies - General

III. PERSONAL LINES INSURANCE (65 percent)

- A. Dwelling Insurance
 - 1. Dwelling Insurance - General Concepts
 - 2. Dwelling Fire /Homeowners Section I
 - 3. Homeowners Section II / Comprehensive Personal Liability
 - 4. Selected Homeowners Endorsements
- B. Inland Marine
 - 1. Inland Marine - General Concepts
 - 2. Inland Marine - Personal Insurance
 - 3. Personal Watercraft – Personal Insurance
- C. Government / Pools / Catastrophe - Property Insurance
 - 1. Earthquake coverage
 - 2. California Fair Access to Insurance Requirements (FAIR) Plan
 - 3. National Flood Insurance

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- D. Personal Auto
 - 1. Personal Auto - General
 - 2. Personal Auto - Liability / Medical/Uninsured Motorists
 - 3. Personal Auto - Physical Damage/Miscellaneous
 - 4. California Automobile Assigned Risk (CAARP)
 - 5. Motorcycles
 - 6. Recreational Vehicles
 - 7. ~~GAP Coverage~~
- E. Umbrellas and Excess Liability Insurance
- F. Low-Cost Automobile Insurance
- G. New Developments – Personal Lines
 - 1. ~~Legal~~
 - 2. ~~Legislative~~
 - 3. ~~Insurance Products and Practices~~

IV. HOMEOWNERS' INSURANCE VALUATIONS (2 percent of questions), section 1749.85 of the CIC.

APPENDIX A – ETHICS AND CALIFORNIA INSURANCE CODE (12 HOUR- EDUCATIONAL OBJECTIVES

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I. GENERAL INSURANCE (35 percent - *including* II. P&L Basics)

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined in section 22 of the CIC .
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, physical and legal hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the term loss and loss exposure.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events, section 250 of the CIC.
11. Be able to identify and apply the definition of insurable interest and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. Be able to identify the major types of private insurers:
 - a. Stock insurance companies;
 - b. Mutual insurance companies;
 - c. Reciprocal insurance exchanges; and,
 - d. Fraternal organizations
14. Be able to identify the meaning of adverse selection and spread of risk.
15. Be able to identify the benefits and the costs of insurance to society (e.g., loss control, loss payments, or securing credit).

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16. Be able to identify that the alternative funding method known as self-funding has benefits tailored to the group.
17. Be able to identify a correct explanation of the role of deductibles in insurance.

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - (a) contract of adhesion;
 - (b) conditional contract;
 - (c) aleatory;
 - (d) unilateral;
 - (e) personal;
 - (f) utmost good faith; and,
 - (g) indemnity;
4. Be able to identify the term insurance policy, section 380 of the CIC.
5. Be able to identify the meaning and effect of each of the following on a contract:
 - (a) fraud, sections 338 and 1871.2 of the CIC;
 - (b) concealment, sections 330 through 339 of the CIC;
 - (c) warranty (expressed/implied), sections 440 through 445 and 447 of the CIC;
 - (d) an implied warranty qualifies as a representation in an insurance contract, section 354 of the CIC;
 - (d) materiality, section 334 of the CIC;
 - (e) representations, sections 350 through 361 of the CIC;
 - (f) misrepresentation, sections 780 through 784 of the CIC; and,
 - (g) waiver and estoppel;
6. Be able to identify six required specifications for all insurance policies, section 381 of the CIC.

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7. Be able to identify:
- (a) the meaning of the term rescission; and,
 - (b) when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

1. Be able to differentiate between the four principal marketing distribution systems (Independent/Exclusive Agencies and Direct Writing/Direct Mail or Internet System) in terms of:
- (a) contractual and ownership relationships between the producer and the insurer; and,
 - (b) marketing methods.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C2. Producers

1. Given a situation involving the legal relationship of an insurance agent and either a principal (insurer or agency principal) or an insured/applicant, be able to assess:
- (a) the legal relationships;
 - (b) the responsibilities and duties of each; and,
 - (c) the effect of the types of authority an agent may have (express/implied/apparent).
2. With regard to the underwriting of applicants or insureds, be able to:
- (a) identify a producer's responsibilities; and,
 - (b) differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify and compare the following:
- (a) insurance agent, section 1621 of the CIC; e.g. a person authorized by and on behalf
 - (b) insurance broker, section 1623 of the CIC; e.g. someone paid for transacting insurance on behalf of another person;
 - (c) insurance solicitor, section 1624 of the CIC; must be appointed by an agent or broker who holds a permanent fire and casualty license;
 - (d) managing general agent, sections 769.81[c] and 1735 of the CIC;

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- 1) Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office); and,
- 2) Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more than 5% of the policyholder surplus as reported in the insurer's last annual statement and either:
 - a. adjusts or pays claims in excess of an amount determined by the Commissioner, or;
 - b. negotiates and binds ceding reinsurance on behalf of the insurer, section 769.81[c] of the CIC.
- (e) administrator, section 1759 of the CIC; e.g. a person who collects premium from or who settles claims for residents in this state in conjunction with life or health insurance coverage.
- (f) personal lines licensee, section 1625.5 of the CIC;
- (g) insurance adjuster, section 14021 of the CIC;
- (h) be able to identify the coverages a personal lines licensee may and may not transact, Section 1625.5 through section 1630 of the CIC
- (i) public insurance adjuster, section 15007 of the CIC; and,
- (j) surplus line and special lines surplus line broker section 1761 of the CIC.
4. Be able to identify the Code definition of "transact" and why the definition is important, sections 35, 1621 through 1624, 1631, and 1633 of the CIC.
5. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:
 - a) Solicitation, section 35(a) of the CIC.
 - b) Negotiation, section 35(b) of the CIC.
 - c) Execution of a contract of insurance, section 35(c) of the CIC. and,
 - d) Transaction of matters subsequent to and arising out of a contract of insurance, section 35(d) of the CIC.
6. Be able to identify the Code statements regarding a broker-agent's status when appointed as an agent, section 1731 of the CIC.
- ~~7. Be able to recognize the differences, and the reasons for the differences, between the authority of an agent and a solicitor, sections 1621 and 1624 of the CIC~~
7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, sections 31, 1621, 33, 1623, 34, 1624, and 1625 of the CIC.

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- (a) Know that Sections 1625.55 through 1625.57 of the CIC states that the Limited Lines Automobile Insurance Agent license is an “agent” license;
 - (b) Know that Section 1625.55 (c) of the CIC further defines that the Limited Lines Automobile Insurance Agent must be endorsed or appointed in order to act as an agent of a business entity or an insurer; and,
 - 1. Know that the language in the California Insurance Code precludes the Limited Lines Automobile Insurance Agent from being authorized to “broker” limited lines automobile insurance business and that broker fees are precluded from being charged under this license.
8. Be able to identify the purpose, duties, and authority of an agency for the following:
- (a) applications;
 - (b) binders, sections 382.5 of the CIC and 2274 of the CCR;
 - (c) certificates of liability insurance and evidence of property insurance;
 - (d) renewal responsibilities;
 - (e) suspense/diary system; and,
 - (f) lost policy release.
9. For Insurance Agent’s Errors and Omissions insurance, be able to identify:
- (a) the types of coverages available;
 - (a) the types of losses commonly covered/not covered; and,
 - (c) the need for the coverage.
10. Be able to identify acts prohibited (unless licensed as a surplus line broker) with regard to nonadmitted insurers, section 703 of the CIC. The following link will provide the notice for the new Surplus lines rules:
- http://www.insurance.ca.gov/0200-industry/0050-renew-license/0200requirements/upload/Revised_Noteice_Surplus_Lines_License.pdf
11. Be able to identify the basic prohibitions contained in section 703.5 of the CIC.
12. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
13. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.

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- ~~14. Be able to identify mandated procedures to follow when a broker fee is charged.~~
14. Be able to identify the requirements and penalties in the Code with regard to insurance in connection with sales or loans, sections 770 through 770.1, 771, and 773 through 774 of the CIC, and section 2114 of the CCR.
15. Be able to identify the rules regarding insurance in connection with sales and loans, section 776 of the CIC
16. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.
17. Be able to identify the Code requirements for Personal Lines Broker-Agents regarding the following:
- (a) agency name, use of name, section 1724.5 and 1729.5 of the CIC;
 - (b) display of license, section 1725 of the CIC;
 - (1) Be able to identify the rules regarding displaying the license, section 1725 of the CIC
 - (c) records, sections 1727 through 1727.5, 1730.5, and 10508 of the CIC;
 - (d) Be able to identify what records must be maintained, where, in what form, for how long, and what penalties may be imposed for non-compliance, Title 10 CCR § 2190 through 2190.8, section 1747 of the CIC
 - (e) office location, sections 1658 and 1728 through 1729 of the CIC;
 - (f) change of address, section 1729 of the CIC;
 - (g) premium finance disclosures, sections 778.2, 778.4, and 1730.6 of the CIC;
 - (h) filing license renewal application, section 1720 of the CIC;
 - (i) printing license number on documents, section 1725.5 of the CIC.
 - (j) Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC
 - (k) Be able to identify the rules regarding Internet advertisements, section 1726 (a) of the CIC; and,
 - (l) Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC
18. Be able to identify regulation regarding charges for extra services e.g. mandated procedures to follow when a broker fee is charged.
19. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668 through 1669 and 1738 of the CIC.

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20. Be able to identify the importance and the scope of the Code regarding:
- (a) filing a notice of appointment, sections 1673 and 1704 through 1705 of the CIC;
 - (b) an inactive license, section 1704[a] of the CIC; and,
 - (c) cancellation (surrender) of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708).
21. Be able to identify the scope and effect of the Code regarding termination of a (producer) license including when producers dissolve a partnership, sections 1708 through 1714 of the CIC.
22. Be able to identify:
- (a) the definition of the term "fiduciary"; and,
 - (b) producer fiduciary duties described in the Code, sections 1733 through 1735.5 of the CIC.
23. Be able to identify what kind of return premium offsets are and are not permissible, section 1735.5 of the CIC
24. Be able to identify the continuing education requirements for Personal Lines Broker-Agents, section 1749.31 of the CIC.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for test questions.

25. Be able to identify and apply the meaning of the following:
- (a) place the customer's interest first;
 - (b) know your job and continue to increase your level of competence;
 - (c) identify the customer's needs and recommend products and services that meet those needs;
 - (d) accurately and truthfully represent products and services;
 - (e) use simple language; talk the layman's language when possible;
 - (f) stay in touch with customers and conduct periodic coverage reviews;
 - (g) protect your confidential relationship with your client;
 - (h) keep informed of and obey all insurance laws and regulations;
 - (i) provide exemplary service to your clients; and,
 - (j) avoid unfair or inaccurate remarks about the competition.
26. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical or illegal practices but they are not a complete guide to ethical behavior (Ethics).

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California Personal Lines Broker-Agent Examination

27. Be able to identify the personal lines requirement for providing the effective date of coverage to insureds /applicants, section 1730.5 of the CIC.
28. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section 791.03 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
- (a) admitted and nonadmitted insurers, section 24 through 25 of the CIC;
 - (b) domestic, foreign or alien insurers, section 26 through 27 and 1580 of the CIC.
 - (1) an excess and surplus lines insurer writes standard coverages in a state where the insurer is unlicensed; and,
 - (2) a standard market insurer is an insurer who offers rates for insurance coverage to insureds who have an average or better than average loss exposure.
 - (c) Be able to differentiate between regulation of an admitted insurer and nonadmitted insurer, and the potential consequences for consumers, sections 24, 25, 1760 through 1780 of the CIC; and,
 - (d) Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 700 (b) of the CIC.
2. Be able to identify the functions of the following major operating divisions of insurers: Marketing /Sales, Underwriting, Claims, Actuarial.
3. Be able to identify who may be an insurer, section 150 of the CIC.
4. Be able to differentiate between Mutual, Stock and Fraternal insurers.(a) know that de-mutualization is a process whereby a mutual insurer becomes a stock company, section 11535 of the CIC.
5. ~~Be able to identify the differences and similarities of types of insurers (Stock/Mutual/Lloyd's/Reciprocal/Risk Retention Groups).~~
5. Be able to identify Reciprocal and Risk Retention groups, and the limitations on state regulation of risk retention groups under the federal Liability Risk Retention

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Act, and the possible impact on consumers, section 125 through section 140 of the CIC and Title 15 United States Code Sections 3901

6. Be able to identify the Code definition of insolvency, section 985 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify the purpose of insurance regulation and the significance of Paul vs. Virginia (1869), SEUA case (1944), and the McCarren-Ferguson Act (a.k.a. Public Law 15 [1945]).
2. Be able to identify:
 - (a) the California Insurance Code (CIC) and how it may be changed (Code);
 - (b) the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,
 - (c) how the Insurance Commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
3. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.10 of the CIC.
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code, sections 1011, 1013, and 1016 of the CIC.
5. Be able to define an insolvent insurer, section 985 of the CIC.
 - (a) The definition of an insolvent insurer includes either:
 - 1) Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
 - (2) An inability of the insurer to meet its financial obligations when they are due;
 - (b) Know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, sections 985.[a] [1 and 2] of the CIC;
 - (c) Know the definition of Paid-in Capital, section 36 and 985 of the CIC; and,

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- (d) Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, section 1013 of the CIC.
6. Be able to identify the purpose and scope of the Code with regard to:
(a) the California Insurance Guarantee Association, sections 1063 [a-c] and 1063.1 [a],[b],[c](1),(2) of the CIC.
7. Be able to identify:
(a) common circumstances that suggest the possibility of fraud; and,
(b) efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3[b](1) of the CIC.
8. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the California Insurance Code, sections 1871, 1871.1-1871.4, 1872.5 of the CIC.
9. Be able to identify discriminatory Fire and Casualty practices prohibited by the California Insurance Code, sections 679.70 through 679.73 and 10140 through 10145 of the CIC.
10. Be able to identify the requirements for rates to be approved or remain in effect, section 1861.05[a] of the CIC.
11. Be able to identify:
(a) the types of rating laws (prior approval, file and use, use and file, open competition); and,
(b) the system used by the State of California to regulate rates for most property and casualty insurance written in California (prior approval), section 1861.05[c] of the CIC.
12. As used by the Code, be able to identify the meaning of:
(a) "shall" and "may," *section 16* of the CIC; and,
(b) "person," *section 19* of the CIC.
13. Be able to identify the requirements for notice by mail, *section 38* of the CIC.
14. Fair Claims Settlement Practices Regulations
(a) Be able to identify a definition of the following:
1) Claimant, Title 10, California Code of Regulations 2695.2 (c).
2) Notice of Legal Action, Title 10, California Code of Regulations

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- 2695.2(o); and,
3) Proof of Claims, Title 10, California Code of Regulations 2695.2 (s).
(b) Be able to identify File and Record Documentation, Title 10, California Code of Regulations 2695.3. G
(c) Be able to identify Duties Upon Receipt of Communications, Title 10, California Code of Regulations 2695.5. G; and,
(d) Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, California Code of Regulations 2695.7, especially subsections (a), (b), (c), (g), and (h).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Excess and Surplus (E&S) Line

1. With regard to surplus line, be able to identify:
- (a) what the term "surplus line" means;
 - (b) the marketplace needs met by surplus line;
 - (c) the requirements to be met before a risk may be placed with a surplus line insurer;
 - (d) how surplus line and special lines surplus line brokers interact with agents;
 - (e) the absence of binding authority for surplus line brokers when placing business through excess and surplus line brokers, section 1764.2 of the CIC;
 - (f) the non-standard nature of the coverages provided
 - (g) conditions that must be met before business may be obtained from these carriers, section 1761 of the CIC; and,
 - (h) what the List of Eligible Surplus Lines Insurers (LESLI) is. The following link will provide access to this list:

<http://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/eligible-surplus-line/index.cfm>

II. PROPERTY AND LIABILITY BASICS

II. A. Basic Legal Concepts - Tort Law

1. Be able to identify the types of wrongs that are dealt with by tort law including:
- (a) intentional torts
 - (b) negligence
 - (c) absolute liability; and,
 - (d) strict liability
- ~~(e.g., intentional torts, negligence, absolute liability, or strict liability).~~

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2. Be able to recognize and identify:
 - (a) the four essential elements of negligence (duty, breach, injury, unbroken chain) and whether all four elements are present in a described situation;
 - (b) the principle of "proximate cause"; and,
 - (c) legal defenses against "negligence".
3. Be able to identify:
 - (a) the reasons for the absolute and strict liability doctrines and recognize situations in which they would apply; and,
 - (b) examples of intentional torts (e.g., libel, slander, or false arrest).
4. Be able to identify definitions of gross negligence and vicarious liability.
5. Be able to identify types of damages: punitive and compensatory, which includes special and general damages.
6. Be able to recognize the difference between "comparative" and "contributory" negligence doctrines.
7. Be able to compute a loss payment applying the doctrines of:
 - (a) comparative negligence;
 - (b) contributory negligence; and,
8. Be able to apply the assumption of the risk doctrine.
9. Be able to identify:
 - (a) the ways a pure no-fault law would modify a tort liability system; and,
 - (b) the major differences between "pure no-fault" and "modified no-fault" laws.

II. PROPERTY AND LIABILITY BASICS

II. B. Property and Liability Basics

1. Be able to identify the major services provided by the following independent rating organizations:
 - (a) Insurance Services Office (ISO) is the advisory organization that develops forms for the standard market; and,
 - (b) California Workers Compensation Inspection Rating Bureau, section 11750.3 of the CIC.
 - (1) provides reliable statistics and rating information regarding workers' compensation and employer's liability insurance;

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- (2) collect and tabulate information and statistics for the purpose of developing pure premium rates to be submitted to the commissioner for issuance or approval; and,
 - (3) inspect risks for classification or rate purposes and to furnish to the insurer and upon request of the employer.
- 2. Be able to recognize the principal risk management methods used to identify loss exposures, and the advantages and disadvantages of each method.
- 3. Be able to identify the difference between direct and indirect (consequential) property losses.
- 4. Be able to recognize common indirect loss exposures.
- 5. Be able to identify the methods commonly used by risk managers to deal with risk.
- 6. Be able to identify the terms of expense, loss, and combined ratios.
- 7. Be able to identify the following terms:
 - (a) "all-risk" (an old term still commonly used and understood within the insurance industry, but a term often misunderstood by the general public);
 - (b) "open peril" / "special form" (terms commonly used in place of "all-risk" in today's policies);
 - (c) "named peril"; and,
 - (d) "concurrent causation."
- 8. Be able to identify the terms and differentiate between:
 - (a) short rate / flat rate / pro-rata cancellation;
 - (b) cancellation / non-renewal / lapse; and,
 - (c) unearned / earned premium and be able to identify their correct computation.
- 9. Be able to differentiate between the terms "judgment rating," "merit rating," and "manual rating."
- 10. Be able to identify and apply the meaning of claims terms (e.g., first party, third party, subrogation, arbitration, etc.).
- 11. Be able to identify the definition of the term "loss reserve."

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California Personal Lines Broker-Agent Examination

12. Be able to identify the requirements to be met to assign a policy from one insured to another.
13. Be able to differentiate between property and liability insurance coverages.
14. Be able to identify a definition of "loss cost rating" and the reason for its use.
15. Be able to identify:
 - (a) the requirement for an insurable interest to exist, section 280 of the CIC;
 - (b) when insurable interest is required to exist under property insurance policies, section 286 of the CIC; and,
 - (c) that contingent or expectant interests are not insurable, section 283 of the CIC.

II. PROPERTY AND LIABILITY BASICS

II. C. Property and Liability Policies - General

1. Be able to identify a description of:
 - (a) the major components of insurance policies (e.g., declarations, insuring agreements, definitions, conditions, exclusions, endorsements, etc.); and,
 - (b) common policy provisions (e.g., insured's right to cancel, assignment of policy, supplementary payments, severability, liberalization, etc.) and coverages (removal and debris removal).
2. Recognize that property insurance policies contain many items except the insured's address, section 2071 of the CIC.
3. Be able to identify and compute loss payments for:
 - (a) the different types of valuation commonly used in insurance policies. (actual cash value, replacement cost, market value, agreed value, stated value); and,
 - (b) a valued policy, sections 412, 2053, and 2054 of the CIC.
4. Be able to identify the protection of a mortgagee's interest contained in most mortgage clauses.
5. Be able to identify the definition and effect of a concurrent vs. non-concurrent policy.

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6. Be able to identify the Code requirements pertaining to policy cancellation / failure to renew, sections 481.5, 660 through 669.5, 673, and 675 through 679.6, of the CIC)
7. Be able to identify restrictions regarding referral of auto insureds to repair facilities, section 753 of the CIC.
8. Be able to identify the following unlawful practices:
 - 1) Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8 (e); and,
 - 2) Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC
9. Be able to describe the provisions in Personal Lines as it relates to Microbial Matter Exclusions (i.e. mold, fungus, mildew, dry rot)
10. Be able to identify the following unlawful practices:
 - a) Additional Standards Applicable to Automobile Insurance, California Code of Regulations 2695.8 (e); and,
 - b) Requirements, suggestions, or recommendations by insurer regarding repair of automobiles at specific automobile repair dealers; conditions; disclosure; powers of commissioner, section 758.5 of the CIC.

III. PERSONAL LINES INSURANCE (65 percent)

III. A. Dwelling Insurance

III. A1.Dwelling Insurance - General Concepts

1. Be able to identify which applicants are eligible for each of the Homeowners products (HO- 3, 4, 5, and 6).
2. Be able to match the Homeowners products (HO-3, 4, 5, and 6) with consumers needs.
3. Be able to identify what the "standard fire policy" is, perils insured, and its importance to modern personal and commercial property contracts, section 2070 of the CIC.
 - (a) Be able to differentiate between an open policy and a valued policy, sections 411, 412 of the CIC.
 - (b) Be able to identify the meaning of warranty and its effect on a policy, section 440 through section 449 of the CIC; and,

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- (c) Be able to identify the laws governing return of premium, section 481 through section 487 of the CIC.
- 4. Be able to identify the major similarities and differences between an HO-3, and HO-5.
- 5. Be able to identify the major similarities and differences of an HO-4, and HO-6.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A2.Dwelling Fire /Homeowners Section I

- 1. For the Dwelling Program, be able to identify the major differences between the three forms (Basic, Broad and Special) in terms of:
 - (a) the coverages included; and,
 - (b) perils insured.
- 2. ~~The remainder of III. A2 is~~ The following items are an analysis of the refer to the ISO HO-3 contract:
 - (a) Be able to identify who is or is not an "insured" as defined in Homeowners Section I; and,
 - (b) Be able to identify for coverages A, B and C of this section (Dwelling, Other Structures, Personal Property):
 - (1) the kinds of property insured; e.g. paint for the interior of the building is personal property that is included under coverage A;
 - (2) the valuation basis used for the property;
 - (3) the kinds of property excluded;
 - (4) the kinds of property with special sub-limits - and for which perils; e.g. watercraft has special limits;
 - (5) the perils insured against and/or the perils excluded; and,
 - (6) how coverage applies to a described loss.
 - (c) Be able to identify the extent Coverage D (Loss of Use) applies to a described loss.
 - (d) Be able to identify the coverage available for debris removal and property removal under the HO Property Coverages - Additional Coverages.
 - (e) Be able to identify the effect of the exclusions: Earth Movement and Flood (including the coverage provided for ensuing losses).
 - (f) Be able to identify the insured's duties after a loss (Section I - Conditions).
 - (g) Given sufficient information about an HO property loss being adjusted under the Section I Condition - Loss Settlement, be able to compute:

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California Personal Lines Broker-Agent Examination

- (1) the amount of coverage required to receive full replacement cost coverage; and,
 - (2) the amount that would be paid (at least 80 percent or less than 80 percent of replacement cost).
- (h) Given an example, be able to recognize the applicability of the Ordinance or Law exclusion and its relationship to California requirements; and,
- (i) Be able to identify:
 - (1) the requirements and definitions of the California Residential Property Insurance Disclosure statement, sections 10101 and 10102 of the CIC;
 - (2) that the form contains only a general description of coverages and is NOT part of the residential policy, section 10102 of the CIC; and,
 - (3) replacement cost and building code upgrade options.

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A3.Homeowners Section II/Comprehensive Personal Liability

- 1. Be able to identify the two major coverages provided in this section.
- 2. Be able to identify common liability loss exposures covered or excluded.
- 3. Be able to identify how Section II (Additional Coverages) affect loss payments (Insurer Claim Expenses, First Aid Expenses, Loss Assessment and Damage to Property of Others).
- 4. Be able to identify the vehicles commonly insured/ not insured by the basic policy.
- 5. Be able to identify properties included in:
 - (a) Insured Locations; and,
 - (b) Residence Premises.
- 6. Be able to identify losses covered under the Homeowners watercraft Endorsement

III. PERSONAL LINES INSURANCE

III. A. Dwelling Insurance

III. A4.Selected Homeowners Endorsements

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1. Be able to identify the effect of attaching the Mobilehome Endorsement to a Homeowners Policy.
2. Be able to identify the major effects of the following:
 - (a) Workers' Compensation - Residence Employees (CA) endorsement - (not optional statutory benefits provided under CA law);
 - (b) Other Structures - Increased Limits endorsement;
 - (c) Scheduled Personal Property endorsement (also see III.B2.2); i.e. be able to identify that the scheduled personal property
 - (d) Inflation Guard endorsement;
 - (e) Personal Property - Replacement Cost endorsement;
 - (f) Personal Injury endorsement;
 - (g) Guaranteed and Extended Replacement Cost Options;
 - (h) Additional Residence Rented to Others;
 - (i) Ordinance or Law Coverage; and,
 - (j) Home business coverage endorsements as compared to commercial policies.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B1. Inland Marine - General Concepts

1. Be able to recognize why some lines are filed, some non-filed and what the advantages and disadvantages of this difference are.
2. For Inland Marine policies be able to identify:
 - (a) that most are written on an open-peril basis;
 - (b) the principal types of exclusions; and,
 - (c) the special valuation provisions.
3. Be able to identify why mobility is a common characteristic of many types of property insured under Inland Marine contracts.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B2. Inland Marine - Personal Insurance

1. Be able to compare the Personal Articles Floater (PAF) and the Homeowners "Scheduled Personal Property Endorsement."
2. With regard to the Scheduled Personal Property endorsement:

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- (a) be able to identify the uninsured loss exposures that might cause an HO-3 homeowners insured to add this endorsement;
be able to identify what effect insuring property under this endorsement has on coverage C of a Homeowners policy; and,
 - (b) be able to identify the restrictions on “insured locations” and “insured perils” in property policies.
- 3. Be able to identify the limited coverage that is available in the Watercraft endorsement under the Homeowners Program.

III. PERSONAL LINES INSURANCE

III. B. Inland Marine

III. B3. Personal Watercraft - Personal Insurance

- 1. Be able to identify why a boat owner, insured under a Homeowners Policy, might still need Boatowners type coverages.
- 2. Be able to identify the typical coverages provided
 - (a) liability, including operations liability, passenger liability and flotilla liability
 - (b) medical payments and
 - (c) physical damage coverage
- 3. Be able to identify the coverage normally afforded by the yacht policy (e.g., hull, boat trailers, protection and indemnity [P&I]).
- 4. Be able to identify the coverage provided by P&I that are not provided by other boat liability coverages.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C1. Earthquake coverage

- 1. Be able to identify the major personal insurance policy coverage that insures against losses caused by earth movement (e.g., Personal Auto: other-than collision or comprehensive coverage).
- 2. Be able to identify correct statements about:
 - (a) requirements for insurers to offer earth movement coverage, section 10081 and 10084 of the CIC; and,

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- (c) state or federal facilities such as the California Earthquake Authority (CEA) that provide coverage for this peril to major segments of the dwelling market, sections 10089.6, 10089.26, and 10089.28 of the CIC.
- 3. Be able to identify the advantages /disadvantages (if any) of:
 - (a) obtaining this coverage by a separate policy vs. endorsement to property policy;
 - (b) single limit of coverage vs. multiple limits (e.g. Homeowners policy);
 - (c) earthquake type deductible vs. commonly used property deductibles; and,
 - (d) reduced coverage policies.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C2. California Fair Access to Insurance Requirements (FAIR) Plan

- 1. Be able to identify the marketplace needs met by the California FAIR plan, sections 10090 and 10091 of the CIC.
- 2. Be able to identify the two different types of areas served by the California FAIR plan.
- 3. Be able to identify which of a described group of applicants would be eligible for coverage under the plan.
- 4. Be able to identify who is eligible to submit applications to the FAIR Plan and the extent of their binding authority, section 10093[a] of the CIC (also FAIR Plan rules).
- 5. Be able to identify the meaning of “basic property insurance” as defined in the Code, section 10091[c] of the CIC.

III. PERSONAL LINES INSURANCE

III. C. Government / Pools / Catastrophe - Property Insurance

III. C3. National Flood Insurance

- 1. Be able to identify the major personal insurance policy coverage that insures against losses caused by flood (e.g., Personal Auto: other-than collision or comprehensive coverage).
- 2. For the National Flood Program(Federal Registry, Volume 70, Number 169, pages 52117-52119, September 1, 2005), be able to identify the following:

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- (a) the types of properties eligible for coverage under the program (applies to both personal and commercial property);
- (b) the principal coverage provided by the contract and limitations for making claims;
- (c) risks eligible for the program, differentiating between the emergency program and the regular program;
- (d) who may place business with the program (any licensed Personal Lines Broker-Agent);
- (e) an agent's binding authority; and,
- (f) that program dollar limits for coverages are specified.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D1. Personal Auto - General

1. Be able to differentiate between a private passenger vehicle and a commercial vehicle;
 - (a) know that RV's are generally both designed as and used as private passenger vehicles, not commercial vehicles
 - (b) once a Recreational Vehicle is added to the PAP, the existing coverage of the PAP is extended to this added vehicle; and,
 - (c) know that under CIC 660(a)(1), a 6-wheel RV would be considered a private passenger vehicle
2. Be able to identify the financial responsibility law requirements, sections 16020, 16021, 16025, and 16451 of the California Vehicle Code [CVC].
3. An agent must be aware of how the particular personal auto policy being sold to the consumer may differs from the ISO Personal Auto Policy (PAPG)
4. Be able to identify:
 - (a) the ISO eligibility requirements for a Personal Auto Policy (PAP);
 - (b) who is an insured including the new provisions regarding how the policy responds when an insured is no longer a spouse living in the same household, e.g. any person qualifies as an insured while using a covered auto;
 - (c) the policy territorial limits;
 - (d) the difference between "share-the-expense car pools" and "for-hire" situations;
 - (e) the coverage that applies to newly acquired auto and "your covered auto"; and,

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Educational Objectives

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- (f) the coverage that applies to a non-owned private passenger auto rented by an insured while on a short vacation.
- 5. Be able to identify situations in which the policy provides:
 - (a) primary coverage;
 - (b) excess coverage; and,
 - (c) special physical damage
- 6. Be able to identify:
 - (a) the eligibility requirements to receive a Good Driver Discount, section 1861.025 of the CIC;
 - (b) the discount percentage of the Good Driver Discount, 1861.02 of the CIC; and,
 - (c) the three principal rating factors for personal auto policies, section 1861.02[a] of the CIC.
- 7. Be able to understand the provisions of the California Amendatory Endorsement and be able identify:
 - (a) the permitted reasons for an insurer to cancel or non-renew an automobile policy, section 1861.03[c](1) and 661 of the CIC; and,
 - (b) the number of days of notice required, sections 662 and 663 of the CIC.
- 8. For newly acquired autos, know that:
 - (a) A newly acquired auto will have the broadest coverage provided for any vehicle shown in the Declarations, except for collision coverage;
 - (b) If the insured has collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner. The insured must notify the insurer within 14 days;
 - (c) If the insured does not have collision coverage on at least one auto listed on the Declarations page, collision coverage on a newly acquired auto begins on the date the insured becomes the owner, but the insured must request collision coverage within 4 days and a \$500 deductible applies; and,
 - (d) If a newly acquired auto is in addition to any vehicle shown in the Declarations, the insured must notify the insurer within 14 days.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D2. Personal Auto - Liability / Medical / Uninsured Motorist

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California Personal Lines Broker-Agent Examination

1. Be able to identify how the policy limits are applied in a PAP to ~~coverages A, B and C~~ Liability, Medical, Uninsured Motorist in a given loss situation.
2. For a described loss applying to Part A - Liability, be able to determine the effect of:
 - (a) supplementary payments;
 - (b) "out of state coverage" (including "financial responsibility" and "no-fault" compliance);
 - (c) split limits vs. single limits coverage;
 - (d) "other insurance"; and,
 - (e) the principle coverage / limitations / exclusions applying to bodily injury and property damage liability.
3. Be able to identify For a described loss applying to Part B - Medical Payments, be able to determine the amount of coverage for each insured.
 - (a) the principle – coverage/limitations/exclusions/apply to Part B-Medical Payments
4. Be able to identify a described loss applying to Part C – Uninsured Motorist, be able to determine the amount of coverage for each insured.:
 - (a) who is defined as an uninsured motorist;
 - (b) the Underinsured Motorists coverage part of the Uninsured Motorist coverage, sections 11580.2[p](2) and (7) of the CIC;
 - (c) Uninsured Motorist Property Damage; and,
 - (d) collision deductible waivers.
5. Be able to identify those circumstances where a client's policy applies primary and excess automobile liability exposure coverage.
6. Under California law be able to identify:
 - (a) the policy limits required to comply with the Financial Responsibility Law, sections 11580.1[b](1) of the CIC and section 16056 of the CVC.
 - (b) the requirement for offering Uninsured Motorists ~~coverage~~ Coverage in policies providing bodily injury liability - and how an insured may reject the coverage, section 11580.2[a](1) of the CIC; and,
 - (c) MVR Issues – Fair Credit Reporting

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D3. Personal Auto - Physical Damage / Miscellaneous

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Educational Objectives

California Personal Lines Broker-Agent Examination

1. In a described loss, be able to identify:
 - (a) if the loss is covered and for how much after applying any deductibles;
 - (b) the standard basis of valuation for the automobile;
 - (c) an insurer's options in making a loss settlement with the insured;
 - (d) under what circumstances transportation expenses are reimbursed;
 - (e) the coverage for personal effects;
 - (f) the relationship between Other-Than-Collision (OTC) coverage and comprehensive coverage (ISO uses newer "OTC"; many insurers still use "comprehensive");
 - (g) under what conditions waiver of collision deductible and uninsured motorist property damage must be offered and the coverage provided by each; and,
 - (h) insured's duties after a loss.

2. Be able to identify the purpose of the following:
 - (a) Miscellaneous Type Vehicle Endorsement;
 - (b) Named Non-owner Coverage policy;
 - (c) Extended Non-owned Liability Coverage— Vehicle Furnished or Available for Regular Use;
 - (d) Optional Limits - Additional Transportation Expenses Coverage;
 - ~~(e) Coverage for Sound Receiving and Transmitting Equipment;~~
 - ~~(e) Customizing Equipment Coverage (PP 08 18); Coverage for Audio, Visual and Data Electronic Equipment and Tapes, Records, Discs and Other Media;~~
 - (f) Limited Mexico Coverage Endorsement;
 - (g) Towing and Labor Coverage.
 - (h) Trust Endorsement
 - (i) Joint Ownership; and,
 - (j) Auto Loan/Lease Endorsement (GAP Coverage)

- ~~3. Be able to explain GAP coverage. Be able to identify non-standard physical damage.~~

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.4. California Automobile Assigned Risk Plan (CAARP)

1. Be able to identify the purpose of CAARP.

2. Be able to identify:
 - (a) who is eligible to place business with CAARP;

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California Personal Lines Broker-Agent Examination

- (b) the eligibility requirements for applicants;
- (c) how business is placed through CAARP;
- (d) the coverages and limits available and/or required;
- (e) ~~whether~~ when coverage may be bound; and,
- (f) ~~whether~~ when commercial risks are also eligible for "assigned risk" coverage.

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.5. Motorcycles

- 1. Be able to explain how to insure motorcycles when there is no standard ISO form.
- 2. Know that for motorcycles motorcycles generally are not covered by a Personal Auto Policy and generally cannot be added as an endorsement
- 3. Be knowledgeable of specialty motorcycle coverage and be particularly aware of common limitations in the area of medical payments and uninsured motorist

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.6. Recreational Vehicles

- 1. Know that for Recreational Vehicles,
 - (a) endorsements can be added to a Personal Auto Policy (PAP) to provide coverage to Recreational Vehicles
 - (1) understand the different types of Recreational Vehicles; and,
 - (2) be able to explain the difference between coverage available for recreational vehicles (e.g. motorhomes vs. quad)

III. PERSONAL LINES INSURANCE

III. D. Personal Auto

III. D.7. GAP Coverage

III. PERSONAL LINES INSURANCE

III. E. Umbrellas and Excess Liability Insurance

- 1. Be able to identify:
 - (a) the major function of these policies; and,
 - (b) ~~the absence of standard policies;~~

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- (b) the difference between umbrella and excess policies.
- 2. Be able to identify:
 - (a) underlying policies that are commonly required by the umbrella insurer to be maintained;
 - (b) what a self-insured retention is and how it is applied to a loss; and,
 - (c) Standardized Umbrella policies and their availability.

III. PERSONAL LINES INSURANCE

III. F. Low-Cost Automobile Insurance

- 1. Be able to identify:
 - (a) low-cost automobile insurance;
 - (b) the costs for this insurance;
 - (c) eligibility to purchase low-cost automobile insurance;
 - (d) the cancellation and renewal procedures for low-cost automobile insurance; and,
 - (e) the coverages and limits available.

III. PERSONAL LINES INSURANCE

III. G. New Developments - Personal Lines

The purpose of this section is to remind providers and students that there may be new developments in Personal Lines legislation and laws.

- 1. ~~Legal~~
- 2. ~~Legislative~~
- 3. ~~Insurance Products and Practices~~

IV. HOMEOWNERS' INSURANCE VALUATIONS (2 percent, section 1749.85 of the CIC.

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California Personal Lines Broker-Agent Examination

APPENDIX A

Ethics and California Insurance Code (12 hour) Educational Objectives

The “General” Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

I. GENERAL INSURANCE

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined in section 22 of the CIC.)
2. Be able to identify the definition of insurable events, section 250 of the CIC.

I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify the term “insurance policy,” section 380 of the CIC.
2. Be able to identify the meaning and effect of each of the following on a contract:
 - a. fraud, sections 338 and 1871.1 through 1871.4 of the CIC;
 - b. concealment, sections 330 through 339 of the CIC;
 - i. Be able to identify information that does not need to be communicated in a contract: section 333 of the CIC;
 - (1) known information;
 - (2) information that should be known;
 - (3) information which the other party waives;
 - (4) information that is not material to the risk; and,
 - c. warranty, section 440 through 445 and 447 of the CIC;
 - i. know that a representation in an insurance contract qualifies as an implied warranty;
 - d. materiality, section 334 of the CIC;
 - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation;
 - e. representations, sections 350 through 361 of the CIC;
 - i. know when a representation can be altered or withdrawn, section

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California Personal Lines Broker-Agent Examination

- 355 of the CIC;
 - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations, section 358 of the CIC; and,
 - f. misrepresentation, sections 780 through 784 of the CIC.
- 3. Be able to identify six required specifications for all insurance policies, section 381 of the CIC
 - a. know that the financial rating of the insurer is not required to be specified in the insurance policy, section 381 of the CIC.
- 4. Be able to identify:
 - a. the meaning of the term rescission; and,
 - b. when an insurer has the right of rescission, sections 331, 338, 359, and 447 of the CIC.
 - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract, section 331 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

- 1. Be able to identify a definition of the following marketing systems:
 - a. agency;
 - b. direct response;
 - c. home service.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C2. Producers

- 1. Be able to identify the Code definition of transact and why the definition is important, sections 35, 1621 through 1624, 1631, and 1633 of the CIC.

- ~~1.~~ 2. Be able to identify what constitutes transaction of insurance, section 35 of the CIC:
 - ~~2.~~ 2. a. solicitation, section 35[a] of the CIC;
 - b. negotiation, section 35[b] of the CIC;
 - c. execution of a contract of insurance, section 35[c] of the CIC; and,
 - d. Transaction of matters subsequent to and arising out of a contract of insurance, section 35[d] of the CIC.

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3. Be able to identify:
 - a. that the Code prohibits certain actions by unlicensed persons, section 1631 of the CIC; and,
 - b. the penalty for such ["a." above] prohibited actions, section 1633 of the CIC.
4. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
 - a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033; and,
 - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
5. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds:
 - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance, section 31 of the CIC;
 - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer, section 33 of the CIC; and,
 - c. know that there is no life broker or health broker.
6. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed, section 1704.5 of the CIC.
7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor, sections 31, 1621, 33, 1623, 34, and 1624 of the CIC.
8. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - a. the types of coverages available;
 - b. the types of losses commonly covered and not covered; and,
 - c. the need for the coverage.
9. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers, section 703 of the CIC.
10. Be able to identify the prohibitions of free insurance, section 777.1 of the CIC.
11. Be able to identify the Code requirements for the following:

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- a. an agency name, use of name, sections 1724.5 and 1729.5 of the CIC; and,
 - b. change of address, section 1729 of the CIC;
12. Be able to identify the rules regarding fictitious names, section 1724.5 of the CIC.
13. Be able to identify the rules regarding Internet advertisements, section 1726 [a] of the CIC.
14. Be able to identify the licensee's duty for disclosure of the effective date of coverage, section 1730.5 of the CIC.
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license, sections 1666, 1668-1669, and 1738 of the CIC.
16. Be able to identify the importance and the scope of the California Insurance Code regarding:
- a. the filing of a notice of appointment, section 1673 and 1704 through 705 of the CIC;
 - b. an inactive license, section 1704a of the CIC; and,
 - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession, section 1708 of the CIC.
17. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership, sections 1708 through 1712.5 of the CIC.
18. Be able to identify and apply:
- a. the definition of the term "fiduciary;" and,
 - b. producer fiduciary duties described in the Code, sections 1733 through 1735 of the CIC.
19. Be able to identify the continuing education (CE) requirements for:
- a. agents, section 1749.3 of the CIC;
 - b. an agent writing Long Term Care Insurance, section 10234.93 of the CIC;
 - c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care (the total hours of CE required are not increased by b. or c); and,

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- d. life-only agents or accident and health agents also licensed as a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.

1. Be able to identify and apply the meaning of the following:
 - a. place the customer's interest first;
 - b. know your job - and continue to increase your level of competence;
 - c. identify the customer's needs and recommend products and services that meet those needs;
 - d. accurately and truthfully represent products and services;
 - e. use simple language; talk the layman's language when possible;
 - f. stay in touch with customers and conduct periodic coverage reviews;
 - g. protect your confidential relationship with your client;
 - h. keep informed of and obey all insurance laws and regulations;
 - i. provide exemplary service to your clients; and,
 - j. avoid unfair or inaccurate remarks about the competition.
2. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).
3. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews, section 791.03 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
 - a. admitted and nonadmitted insurers, sections 24 through 25 of the CIC; and,
 - b. domestic, foreign, and alien insurers, sections 26 through 27 of the CIC;
2. Be able to differentiate between regulation of an admitted insurer and nonadmitted insurer, and the potential consequences for consumers, sections 24, 25, and 1760 through 1780 of the CIC;

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3. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, section 703 of the CIC.
4. Be able to identify who may be an insurer, section 150 of the CIC.
 - a. person, association, organization, partnership, business trust, limited liability company or corporation, section 19 of the CIC.
5. Be able to differentiate between Mutual, Stock and Fraternal insurers.
 - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company, section 11535 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify:
 - a. the California Insurance Code and how it may be changed (Code);
 - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code); and,
 - c. how the insurance commissioner is selected and the responsibilities of the position, sections 12900 and 12921 of the CIC.
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties, sections 790 through 790.15 of the CIC.
3. Be able to identify the privacy protection provisions of:
 - a. The Gramm-Leach-Bliley Act
 - 1) Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
 - 2) Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information;
 - b. The California Financial Information Privacy Act (SB1);
 - c. Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties, sections 791 through 791.26 of the CIC;
 - d. Cal-GLBA/"California Financial Information Privacy Act," Section 4050 California Financial Code;
 - e. Health Insurance Portability and Accountability Act (HIPAA).
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code, sections 1011, 1013, and 1016 of the CIC.

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5. Be able to define an insolvent insurer, section 985 of the CIC:
 - a. the definition of an insolvent insurer includes either:
 - i. Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere; and,
 - ii. An inability of the insurer to meet its financial obligations when they are due;
 - b. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance, sections 985.[a] [1 and 2] of the CIC;
 - c. know the definition of Paid-in Capital, sections 36 and 985 of the CIC; and,
 - d. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding, section 1013 of the CIC.
6. Be able to identify:
 - a. common circumstances that would suggest the possibility of fraud;
 - b. efforts to combat fraud, sections 1872, 1874.6, 1875.8, 1875.14, 1875.20, and 1877.3[b][1] of the CIC; and,
 - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
7. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code, sections 1871, 1871.4 of the CIC.
8. Be able to identify the meaning of (as used in the CIC):
 - a. shall and may, section 16 of the CIC; and,
 - b. person, section 19 of the CIC.
9. Be able to identify the requirements for notice by mail, section 38 of the CIC.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C5. Fair Claims Settlement Practices Regulations:

1. Be able to identify a definition of the following:

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- a. Claimant, Title 10, section 2695.2c. of the CCR;
 - b. Notice of Legal Action, Title 10, section 2695.2o. of the CCR; and,
 - c. Proof of Claims, Title 10, section 2695 2(s) of the CCR;
2. Be able to identify File and Record Documentation, Title 10, section 2695.3 of the CCR.
3. Be able to identify Duties Upon Receipt of Communications, Title 10, section 2695.5 of the CCR.
4. Be able to identify Standards for Prompt, Fair and Equitable Settlements, Title 10, sections 2695.7a., b., c., g., and h. of the CCR.